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Economic Conditions
Governmental Finance
United States Securities

New York, November, 1922.

General Business Conditions

THE general trade situation has developed in an orderly manner during the past month, without any exciting or disturbing features. The weak spot to which we alluded a month ago, to wit: the relatively low prices of most agricultural products, has been strengthened by advances in grain, dairy products and cotton, which sentimentally and practically are of great benefit. The railroads have been handling a volume of traffic closely approaching that of October, 1920, and above that of any other month on record. For the week ended October 14 the number of cars loaded with freight was 983,470, against 910,529 in the corresponding week of 1921, and 1,018,539 in the corresponding week of 1920. Undoubtedly car-loadings would be running above the 1920 figures if the railroads were able to handle the business offered. The movement of grain has been seriously hampered by lack of cars or motive power, with the result that spot grain in New York and Chicago has commanded a premium over the normal parity with country markets and over the future deliveries, a situation which has not existed since the fall of 1920. Country elevators are full, and unable to take farmers' deliveries. At the twelve leading western primary markets receipts of all grains since July 1st have been less than last year, but more than in the corresponding period of 1920.

The production of coal has been below the capacity of the mines, partly from lack of cars and partly because of an indisposition of purchasers to accumulate stock on a falling market. The coal situation, however, is working easier, and consumers are so far getting what they need as fast as they require it.

Industry and Trade

The industries are generally active, with employment practically full and wages continuing to come into line on the higher level established last month. Retail trade in the industrial centres has improved, and is now running well over last year's figures. The iron and steel industry is operating at about 70 per cent of capacity, and the congestion of orders is diminishing. The premiums for early deliveries are disappearing; the supply of pig iron is gaining on the demand, and the price is falling.

More construction work of an industrial character is being planned, particularly with a view to economical production. Orders for railroad cars and locomotives continue to be large, but sales of fabricated structural steel for September were the lowest for the building season, which is usually the case. The outlook for building operations next year is good.

In all lines of manufacturing raw materials have been advancing, and efforts are being made to secure corresponding advances in finished products, but they meet with no little opposition. Advances in wool, cotton and silk have forced manufacturers to mark up cloths, but although the dealers yield a grudging consent, goods lag behind the materials. Consumption of cotton by the mills in September was 495,344 running bales against 527,404 in August and 484,718 in September, 1921.

The Shoe and Leather Reporter for October 12 announces that the industry of shoes and leather has recovered completely from the long depression. This does not mean that the losses of last year have been made good, but that the demand for shoes and leather is again normal, that prices are getting into line with costs, and that there is a working chance for profits again. The shoe factories of New England are working with nearly full forces, and those of the West and South are doing even better. As a rule the concerns making shoes to sell at moderate prices, having deflated promptly and to the limit, are busy to capacity.

In shoes as in cotton goods the upward turn of raw materials in the last few months has created difficulties. Dealers do not take kindly to advances, fearing that the public will not, and as competition has been close manufacturers have been selling on the basis of actual cost rather than reproduction cost.

Agricultural Products

The wheat production of the United States this year is estimated by the Department of Agriculture at 810,000,000 bushels, which is about 15,000,000 bushels more than last year. The Canadian yield is estimated by the Dominion authorities at 388,000,000 bushels, which is about 88,000,000 above last year's, and within 5,000,000 bushels of the record yield of 1915. Exports of wheat, including flour, for the 17 weeks from the beginning of July to October 26, from the United States and Canada, as reported by Bradstreets, were 154,120,354 bushels, which compares with 168,279,531 in the corresponding period last year.

The production of the bread grains in Europe outside of Russia is approximately 200,000,000 bushels below that of last year, a situation which does not justify any falling off in the movement from North America, and would seem to give assurance that all of the surplus here will be needed. The Argentine and Australian crops are so far promising, but it is early for any definite calculations about them. The government of India has removed the embargo upon wheat exports from that country, which with the larger yield in North America probably will be sufficient to cover the European shortage, if Argentina and Australia contribute as much as last year. Russia is counted on to have enough for its own needs.

The situation in the bread grains is closely balanced, and European markets in recent weeks have indicated increased concern about supplies. They have led the advance, and advanced more than the markets on this side, probably because of transportation conditions here. The movement from Canada has been more important than from this country, the Montreal port facilities being taxed to the limit. The December delivery of wheat at Chicago, which in September fell below $1 per bushel, is now about $1.15. Cash wheat is $1.20 to $1.22.

The coarse grains have had a good advance from the low points.

Hogs are down a little from last month's prices, but all live stock is on a much more satisfactory basis than a year ago. John Clay & Co., Chicago, one of the leading live stock commission firms, makes the following statement as showing the improvement over a year ago:

TOP PRICES AT CHICAGO

	October 23, 1922	October 24, 1921	Per cent Advance
Top steers	$13.55	$9.60	41.1
Top yearlings	13.00	11.25	15.5
Feeder cattle	8.00	6.75	18.5
Top hogs	9.75	8.30	17.4
Top lambs	14.60	8.75	66.8
Feeder lambs	14.75	7.75	90.3
Corn (cash)	.71¾	.46½	54.2

The weather has been favorable to making the most of the possibilities for the cotton crop, but the yield cannot be expected to be much above the government's last estimate of 10,135,000 bales. The carry-over stock in this country was 2,828,000 bales, which would make the available supply a little over 13,000,000 bales. Consumption and exports in the last crop year were about 12,200,000 bales. Domestic consumption is running ahead of last year, but exports are falling behind. Foreign stocks, however, are light, and world consumption in 1922 has been well above that of 1921. Evidently everything depends upon the European political and industrial situation. If the consumption of cotton goods is anything like normal, there will be shortage of raw cotton. In view of these conditions the market has been strong, rising above 24 cents per pound.

At this price the crop will bring more than the average return to the South and affords the basis for good business in that territory for the ensuing year.

Europe as a Factor

Conditions in this country are favorable to a continuing volume of business practically to the limit of our labor supply and transportation facilities, as long as foreign markets will take the quantities of our products, particularly farm products, that have been moving out in the past year. European conditions have been the cloud upon the horizon ever since the war, and two opinions have been held about the probable influence of Europe upon our prosperity. One has been that European purchases probably would decline, because of Europe's inability to make payments, and that we could not hope for normal conditions in this country without recovery in Europe; the other has been that Europe must of necessity take our principal agricultural products in at least as large quantities as before the war, because of Russia's disappearance as an exporter, and that beyond this the United States was sufficiently self-contained to get along very well without Europe.

It was inevitable that our exports of agricultural products would decline from the war figures as agriculture in Europe recovered, although in the case of wheat they have been well maintained to the present time. On the whole they have been maintained in quantity above the pre-war level.

Down to this time events appear to have fairly well sustained the view that Europe would need to take at least as much of foodstuffs from us as in the pre-war years, and the recovery of business activity this year, despite our serious strikes, has given support to the view that this country can have a good degree of prosperity even though Europe does not overcome its troubles.

How Our Exports Have Been Paid For

Without disputing the conclusion, it may be well to point out that there are some uncertain factors in the situation. The doubts that have been expressed about the maintenance of our exports to Europe have been related to the ability of Europe to find the means of payment. It was evident that the heavy trade balance would have to be settled in some manner, probably to a great extent by loans or grants of credit of some kind, and it was considered doubtful whether they would be provided in this country. It is known now that these have been provided in large amounts. The total of loans and credits is not definitely known, but the Hon. D. R. Crissinger, Comptroller of the Currency, after getting the best information he could on the subject, has estimated the net amount of foreign loans in terms of dollars floated in this country in the four years of 1919 to 1922, in round figures at $2,500,000,000 and the total, including securities payable in foreign currencies, at more than $3,000,000,000. He estimates the foreign currencies purchased in the United States as representing a cost of $500,000,000, and it may be mentioned in this connection that the New York World has recently conducted an inquiry upon this subject which resulted in an estimate above $900,000,000 for our purchases of mark currency and mark securities.

Mr. Crissinger's figures above aggregate $3,500,000,000, without commercial credits. These he estimates at $3,000,000,000 since August, 1914, and he estimates our purchases of American securities from foreign holders since that date at $3,000,000,000. Confining the present discussion to the post-war period, without attempting to say what share of the commercial credits or purchases of American securities belong to this period, it is evident that altogether the offsets against our exports, as classified above, have amounted to considerably more than a billion dollars a year since the war.

It is true that not all of these loans have been granted to Europe, but once the credits are granted they enter into the international settlements and there is no knowing how they will be used. As none of these credits were transferred in the form of money it is certain that they were used for payments within the country, and counted in settlement of our favorable trade balance.

In addition to the credits created by loans publicly floated in this country, and credits granted for the purchase of merchandise, an important amount of credits has been created since the war by the sale of property interests in this country of various kinds by foreign owners.

Finally, we have imported on balance large amounts of gold in the last two years, which have counted in settlement of our favorable merchandise balance. Our net imports of gold in the calendar year 1921 were $667,000,000.

These credits, created in various ways, although of uncertain amounts, are sufficiently definite to indicate how our exports have been maintained. The history of the years since the war does not disprove the contention that Europe did not have within herself the resources with which to maintain her normal purchases in this country, and that credits would have to be granted.

Our Interest in Europe

And so, looking to the future at this time, it will not do to simply say that Europe must have the usual quantities of our products. Undoubtedly they are needed, but they will not be taken unless settlement can be made in some way. It cannot be assumed that they can be made indefinitely in the same way as heretofore.

Although gold will continue to come to us, it is to be considered that much of the gold that we have been receiving has come originally from the reserves of Russia, and that of these no great amount remains. We will get a large part of the new production, and, of course, if all other resources are exhausted, the reserves of Europe may be drawn upon for necessary food supplies, but the exhaustion of European gold reserves will not be something for us to view with equanimity.

We do not offer this discussion for the purpose of suggesting that European purchases are about to decline. We do not think they are; we expect to see Europe buy largely of our grain, meats and other products throughout this crop year, although restricting purchases as much as possible. It is important, however, for us to realize that the situation is not normal in the sense that our foreign trade is in balance and can go on in the present way indefinitely. The fact is that our exports have been financed by extraordinary means. The sale of marks in this country has been as much a makeshift for us in financing our exports as for Germany in financing her imports.

We are not independent of Europe. It would be a very serious matter to us to have its purchases from us decline in a considerable degree. We are interested that political and industrial conditions over there shall be upon a settled and permanent basis. It is safe to say that every bushel of grain and pound of cotton from this year's crop would have brought a better price, but for the unsettled conditions in Europe.

There is reason to believe that in many respects industrial conditions have made substantial improvement in the last three years, but the reparations question is still in the way of the reorganization of European finances on

a sound basis. That the recent postponement of the payments to Belgium is not accepting as assuring a final settlement is evident from the further decline of the mark, now valued at about 4,500 to the dollar.

Political Conditions in Europe

The crisis in the Near East, which threatened war a month ago, has been temporarily adjusted, and the permanent settlement probably will be made upon the lines already indicated.

It has been known that an election in England would be held before long, but the conflict of opinion over the Turkish crisis has hastened it. Lloyd George, the last of the statesmen of the war time to resign power, has retired, the coalition government has been disbanded, and in the coming election three parties, the Liberals, Conservatives and Labor party will contend for power.

Labor Problems

The most serious factor in the situation ahead of this country is the prospect for another coal strike in five months. The contract between the bituminous operators and miners will expire on April 1st and there is little chance of their readily reaching an agreement. Moreover, as little opportunity will be afforded in the meantime to accumulate stocks, the situation will become critical very quickly after mining is suspended in the union fields.

The Borah-Winslow act passed by Congress at the last session provides for a fact-finding Commission, to be appointed by the President, which it is hoped will be able before next April to lay before the country information that will enable Congress to deal intelligently with the problem. The President has named a Commission which commands general approval, as composed of men of technical knowledge, broad public views and experience in dealing with labor problems. The Commission represents the public, neither operators nor miners having members upon it. It is not an arbitrating or negotiating body. It is headed by John Hays Hammond, the eminent mining engineer, and the other members are former Vice President Thomas Marshall; Judge Samuel Alschuler of Chicago, who has served as an arbitrator in the packing industry; Clark Howell, editor of the Atlanta Constitution; George Otis Smith, Director of the United States Geological Survey, and one of the best informed men upon the coal industry in the country; Dr. Edward T. Devine, of New York, well known as a student of industrial and social problems, and the Hon. Charles P. Neill, who was head of the Bureau of Labor during President Roosevelt's administration.

Coal Commission Inquiry

The Commission will inquire into the ownership of mines, prices of coal, organizations, persons and methods having to do with production and distribution, profits of producers and distributors over the last ten years, labor conditions, wages, waste, irregular production, causes of labor disturbances, etc. It is charged to inquire into and recommend regarding the standardization of the mines with the possible closing of those unable to maintain that standard, standardization of the cost of living and of living conditions among miners and the advisability of legislation having to do with Government or private ownership, regulation and control.

An appropriation of $200,000 is made to cover the expense of the inquiry, which is intended to be the most exhaustive ever made upon the subject.

Unquestionably this is the way to prepare for authoritative action. If the Commission will discover and describe the conditions the public will be better able to judge what should be done. The situation, however, is very complex, and it will be remarkable if the Commission is able to agree upon recommendations, even if it is agreed upon the facts.

An Over-Developed Industry

It is already known that there is an excess of competition in the business—too many mines and too many miners for economical production. Some of the ablest men connected with the industry have insisted that the true remedy was in the perfectly free play of economic forces, in other words, such unrestrained competition as would throw the business to the low-cost mines and eliminate the others, providing steady work to a large enough number of miners to supply the demand and forcing the others to seek another industry.

It will be interesting to have the Commission's explanation of why this does not occur. Apparently, there is restraint of some kind upon competition, either in the facilities for transportation, or by some means that prevents the more efficient mines from taking the full volume of business they are capable of handling. It probably will be found that the trouble is not in the free play of economic forces but in something that hampers them.

The suggestion made only a few months ago that the miners had it in their power to remedy the evil of irregular employment by looking for employment in the other industries, was criticized at the time as harsh and unfeeling, but since then a shortage of labor has developed in the steel, cement and other industries which shows that the suggestion was sound. The unemployment which has existed in this country since the early part of 1921

has been due almost wholly to an unbalanced state of industry, i. e., the maintenance of high wages and prices in some of the industries after they had declined in others. A reduction in the cost of producing coal would have helped all the other industries and by so doing helped the coal industry itself. The transfer of 100,000 coal miners to other industries last April would have relieved the coal industry of a surplus of labor, and it is now clear would have enabled the other industries to expand.

It does not require a Government Commission to find out that consumers of coal cannot afford to pay full annual wages to miners for working only 200 days in a year. Its findings no doubt will be of great value, but we know already that unless a great deal more coal is needed a large working force should be transferred out of the bituminous coal industry, as a means of correcting the irregularity of employment, and wages readjusted accordingly.

The Railroad Wage Question

The Railroad Labor Board has reconsidered its action reducing the wages of maintenance-of-way employes and restored in part the rates in force prior to July 1st, basing this action upon the general advance in day wages which has taken place since the original decision was rendered. The wages of four classes of employes operating trains have been fixed as at present by voluntary agreement between the companies and the brotherhoods upon most of the roads for another year. It appears therefore that the wage situation has been stabilized for the present in the transportation industry. It cannot be regarded as satisfactory to have transportation charges remain as at present, and they cannot be reduced unless operating costs are reduced, but when the wages of railroad operatives are compared with the wages of coal miners, wages in the building trades, on highway construction, and unskilled labor generally, the former have a good basis for their argument. The public does not want railroad labor underpaid as compared with the general wage scale or with the general level of living costs.

It would be premature to say that the downward readjustment of wages has come to an end; it will not come to an end until a fairly balanced state of compensation exists throughout all industry, including agriculture, but it has been halted by the revival of industry and the immigration law. When the house-building campaign has gone far enough to reduce rents, and high wages have worked out the usual results in labor-saving equipment, a new balance may be reached more amicably than is possible at this time.

An Encouraging Development

There are signs that the public discussion of the strike issue during the past summer has accomplished something in clarifying the subject. The public judges of such questions as they appear in instances of actual life rather than as they are presented in abstract arguments. It is not slow to see that the comfort, the health and even the lives of millions of people must not be subject to the arbitrary policies of any comparatively small body, whether that body be of employers or employes. It does not fail to distinguish between the right of an individual to quit any job, and go quietly about other business, and the right of a group of workers to suddenly suspend a necessary public service, and, while refusing to perform the services themselves, claim that they have a right to hold the jobs to the exclusion of others.

The agitators who aim at the overthrow of the existing order are all for the "one big union," to include all wage-workers, upon the theory that if all will stop work at once, all employers will have to yield,—as though it was any more important to employers that industry should be carried on than it is to other people. The primary purpose of the industries is to supply the daily needs of the population, and if there is any one way more effectual than all others for making public opinion against strikes it is by paralyzing public services.

The abandonment of passenger trains in desert places of the west may have seemed to the deserting trainmen to be an impressive demonstration of their power, but instead of strengthening the cause of the strikers it had the opposite effect. The Brotherhood officials were prompt in both disavowing and condemning this action, and it is probable that these instances have influenced some of the Brotherhood officials to the conciliatory since attributed to them.

During the past month statements have appeared which indicated that some at least of the officials of the big railway brotherhoods are of the opinion that it is impolitic for them to act together in their wage negotiations with the implication that they will support each other to the extent of causing a tie-up of all the railroads of the country. Mr. W. G. Lee, head of the Brotherhood of Trainmen, has repeatedly expressed views showing that he felt very great reluctance about following a course that would inflict upon the public the incalculable injuries involved in a general railroad strike. Evidently the "one big union" idea does not appeal to him. He wishes to restrict his demands and his responsibilities within the field covered by his own organization, and is not afraid of inability to get fair

treatment by doing so. Back of his attitude is a regard for the rights of the public which is deserving of the highest commendation, because it is the very basis of just social relations. Mr. Lee is quoted as saying:

This whole business, with all railroad unions on one side and all railroads on the other, with the Railroad Labor Board in between, got too big for any one man or few men to handle. It was loaded with dynamite for the country as well as for ourselves and the executives. No sane government would permit any faction or class to paralyze the transportation business of the country and thereby punish the innocent, who are always in the majority. The only way out was to separate.

The public is under the strongest obligations to see that men in essential industries who waive the right to strike shall receive fair and liberal treatment, and it would be an ideal settlement of the matter to have the railroad men voluntarily accept that assurance. The present attitude of the railroad organizations, if correctly reported, indicates that the alleged compact beween them and the United Mineworkers is no longer effectual and probably never existed.

The Controversies Over Money-Wages

In all the wage disputes and controversies over hours of labor the most of the trouble is due to the tendency to think only of the immediate relations between wage-workers and employers, and overlook the relations between the wage-worker as a producer and the wage-worker as a consumer. There is always the assumption that wage-increases are made at the expense of the employer and affect no one else, and that nothing but general wage-increases are required to advance the standard of living for wage-workers. The experience of the war-time showed this to be a fallacy, for there never was greater "profiteering" by employers than when wages were at the highest level. Consumers in the end pay all the costs of production, including wages.

The real advancement of the wage-earning class, as is now abundantly illustrated in Europe, is measured, not by money-wages, but by the comforts that wages will buy. Mr. George H. Hull, an eminent engineer of this country, wrote a very interesting and instructive book upon economics some years ago, in which he set forth very clearly the interest of wage-workers in promoting increased productions rather than in concentrating attention upon higher wage rates and shorter hours. In the course of his argument, he said:

Money, the medium of exchange, is a necessity to modern civilization, but, unfortunately, its use sometimes obscures or distorts industrial facts. Producers, especially wage-earners, are apt to think their comforts would be doubled if their pay were doubled. To analyze this, let us suppose that at a given time the pay of all persons engaged in any gainful occupation be doubled, while production remains the same. Is it not clear that the cost of everything would be doubled, and that each one, with his double pay, would be able to buy only as much as he did before On the other hand, let us suppose that the pay remains the same to each, and that at a given time by improved machinery or otherwise, the productive force of each worker is doubled. Is it not plain that the cost of everything would be reduced one half, and that each one, on the same pay, would be able to buy twice as much as before?

The only practical way to double the reward to workers is to double their products. Larger production per man, through machinery and improved methods, accounts for the fact that workers are today able to enjoy comforts which fifty years ago would have been impossible. If money were eliminated, many of the popular delusions would not exist. All would understand that if every worker turned out twice as many products as formerly, deposited them in a public receptacle, and then each carried away what he desired, in proportion to what he had deposited, each would carry away twice as much, and thus have twice as much to enjoy.*

As an illustration of this argument we may take the following report recently sent to the Department of Commerce, Washington, D. C., by the Consul-General of the United States at Bradford, England. Bradford is one of the seats of the textile industries in England. Mr. Young, our Consul, writes:

The Esmith Automatic Shuttleless Loom, which the inventor believes will revolutionize the cotton manufacturing industry, is claimed to be perfected and ready to be placed on the market. This loom is said to give double production, plus automatic weaving and to weave cloth better by 25 per cent in appearance, and handle with two picks at once rather than with one pick of double thickness. The weft is supplied from two cheeses one on each side of the loom. This gives weft-mixing and produces more perfect cloth. Two different kinds of yarn, or two different counts can be put in for effects. Six to ten colors or more can be put in by the same plain loom with the attachment of a simple color mechanism which has been invented for this purpose. The colored threads can be thrown across, two or more at a time if desired, in any order. It also is claimed that waste is reduced to practically nothing, and that cops may be spun four or five times the regular size, resulting in a big saving in spinning, doffing and winding.

We have no other information about this machine than is given above, and cannot vouch for the statements, but if true it is no more important than several other inventions in the textile industry that have preceded it and which have been of great benefit to the world by improving the manufacture of cloth. If the process is what it is represented to be, the inventor may derive a fortune from it, but he will be obliged to make such terms for its use as will induce manufacturers to adopt it, and in time, when the patents have expired, all of the benefits will go to the public, as has long since been the case upon the earlier inventions, each of which in its turn carried the textile industry a step forward.

Inventions like this in each of the great industries have revolutionized production in the last one hundred years, and enormously improved the position of the wage-earning class. Every improvement in technical methods or organization contributes to this result, and on the contrary every obstruction, every act or

*** Industrial Depressions, George H. Hull, published by Frederick A. Stokes Company, 1911.**

policy that impedes production, tends to offset and deprive the public of the benefit of these gains.

News of the character carried by this consular report is very welcome in contrast to news of efforts to limit production, set up barriers to trade, or to organize blocs for the purpose of enabling the members of some one group to obtain an advantage over all the other members of the community.

Eight Hour Day

One of the reasons for the slow recovery from the effects of the war undoubtedly is the shortening of the hours of labor and the increase in the cost of manufactured and mineral products and of transportation which has resulted from this policy. It was in fact most inopportune to curtail production at a time when the greatest possible production was needed, but it was done upon the theory that the standard of living for the workers should be raised and that it could be done at the expense of the employers, which of course proved to be a fallacy. The scaling down of production has increased costs and costs must be covered by the prices charged consumers.

The shortening of hours for railroad employes, mine-workers and factory-workers is especially burdensome to the farmers, for it increases the cost of everything they have to buy, while as they work on their own account they continue to work as many hours as formerly. It is one of the factors in the unbalanced state of prices.

The theory that as much work would be done in eight hours as in nine or ten has not been established by the experience of the industries generally. The pace of industry is generally fixed by machinery, which as a rule moves at the same pace in an eight hour day as in the longer periods.

The Cotton Industry in Europe

At the Congress of the International Federation of Master Cotton Spinners and Manufacturers' Association held at Stockholm, in June last the effect on mill production of the reduction of the 55½ hour week to 48 hours was considered. Statistics were presented which showed that the average yarn output of Oldham and Rochdale mule spinning mills in 1914 for 53½ hours was 24,513 hanks per spindle per week, but by 1922 for a production of 48 hours, the output had fallen to 20,212 hanks, showing a decrease of 17.54 per cent. With regard to ring spinning mills in the same district the output in 1914 for 55½ hours was 35,111 hanks per spindle per week, while according to particulars obtained this year the production for 48 hours was only 30,140—a reduction of 14.15 per cent. As the lessened hours of the working week account for 13.51 per cent, it was stated by one of the speakers "to be abundantly evident that the effect of the reduction in working hours in cotton spinning has not had the slightest effect in increasing the productive capacity of the worker." The estimated number of spinning spindles in Great Britain according to the latest figures issued is 56,420,078 and taking the loss of production as no more than 13.5 per cent it would need the erection in Great Britain of an additional 8,805,450 spindles to equal pre-war production. At an average cost of £4 per spindle, the capital expenditure required would be £35,221,800 and the additional weekly wage bill at present rates, would be over £70,000.

Before the war the working day in the British coal-mining industry was eight hours. It has been reduced to seven hours, which makes necessary the employment of more men and has increased the cost of coal for all British industry and increased the cost of all industrial products and, of course, the cost of living to the entire population, miners included.

Effects Upon German Industry

The eight-hour day prevails throughout Germany, having been inaugurated by decrees issued early in the revolution. A bill, fathered by the Wirth Cabinet, to formally legalize the system has been pending for some time without being acted upon. A study of the results of the reduction upon industry, made by Dr. O. Hoffmann, director of the Chamber of Commerce of Minden, Westphalia, has appeared in a book entitled, "Working Hours and Production in Germany after the War." It is written apparently without bias, and admits evidence that in certain branches or in certain production conditions the eight hours system has done no harm. But, on the whole, the judgment is extremely unfavorable.

Some of the sharpest criticism of eight hours, Dr. Hoffmann points out, comes from labor leaders and even from Socialists. An old enthusiast for eight hours and a strong Socialist, ex-Minister Dr. Mueller, lately wrote that "compensation for the shortened time by more intense production has not taken place." The editor of "Die Konjunktur," Richard Calwer, who is not only a Socialist but also a statistician and economist of recognized rank, has condemned eight hours as "economically fatal," saying that the reform has caused "a great injury to production."

In general, German working hours to-day are less by one-fifth than before the war. Production has fallen much more than one-fifth. But Dr. Hoffmann says quite fairly that there is no exact proof that production everywhere would have fallen more than one-fifth if there

had been no other unfavorable factors. Reduced production may partly be explained by inferior health and feeding, by disappearance in war of many first class workers, by deterioration of machines and by political ferment. In many trades, however, the per capita decline in output is greater than can fairly be explained by these unfavorable conditions.

Coal mining in Germany is now a legal seven-hour day. Before the war the rule was eight hours. As against a reduction of one-eighth in working time, there has been a decline of about one-third in output—from 0.884 ton per man per shift to 0.597 ton. This is in the Ruhr (mining district of Dortmund), but figures from other mines are much the same.

Piece Work Production

Dr. Hoffmann holds that in works and branches where payment by hour prevails a one-fifth output reduction as due exclusively to the shortened hours may be taken as proved. In such works the intensity of work has not increased at all. Where piece payment prevails conditions are otherwise. The working hours in concerns or branches practicing piece payment have also been reduced to eight, and here if the workman is to earn his former income he must either get a higher piece wage or he must work more intensely. Dr. Hoffmann holds that more intense work has been achieved in certain industries where the human element dominates; but that where the intensity of work depends primarily upon the speed of machines the shorter hours of piece payment workers have brought shortened production.

He calculates for all the workers an average reduction of 15 per cent in production, and calculating the loss in money, estimates it at 3,500,000,000 gold marks annually.

Effect on Reparations

These figures have a curious coincidence, for they are exactly the figures for the annual payments fixed by the London ultimatum of May 1, 1921. Assuming Hoffmann is right, Germany could meet the terms of that instrument by returning to the pre-war working conditions, if it be assumed further that the increased production was devoted to that purpose and could either be delivered to the creditor countries in kind or sold in markets of the world without depressing world prices.

If Dr. Hoffmann's calculation was confirmed, there would still remain the question whether the German government, even if so disposed, could compel all of the wage-earners to go back to the ten-hour day and cheerfully turn out the twenty-five per cent increase of product, for the purpose of having it all turned over as reparations payments.

The Money Market

The demand for money is moderate, and rates are a little firmer than a month ago. Time money is 4¾ to 5 per cent, commercial paper, 4½ to 4¾. Call money touched 6 per cent in the last week of the month, but this was occasioned by temporary needs and the rate brought a flood of offerings. The going rate is about 4 to 4½%. Acceptances, 4 per cent.

The demands upon the Federal Reserve banks have increased but slightly, their discounted bills going up from $434,000,000 to $457,000,000 during October, with most of the increase in the Eastern banks. Apparently liquidation in the Western banks is taking care of new demands.

The bond market has been reactionary, with the government refunding loan seemingly the disturbing factor. The loan was greatly over-subscribed, giving the impression of a sharply competitive investment market, but the fact that the bonds have since sold below par indicates that dealers over-reached themselves in their bidding. There are duplicate orders in the bond business as in merchandising, and evidently some people in this instance got more bonds than they really wanted.

Although the new government issue is part of a refunding operation, it appeals to a different class of investors than that with which the outstanding issues are lodged, for the reason that the latter are of short maturities while the new bonds run longer than any other obligations of the national government. Hence it was inevitable that the new issue would cause some disturbance in the markets. The entire bond list has been off several points from the top, and the stock market has been influenced as well.

It must be borne in mind that not only have banking institutions been free buyers of investment securities during the past year, but business houses have bought important amounts as well, actuated by the same motive, i. e., to keep idle funds temporarily employed. These are the purchases which will be first dislodged by reviving business activity, and although there is no pronounced movement of this kind such selling may have been a factor in the weakness which has recently developed. Reporting member banks have increased their holdings of government bonds in the last two months, and reduced their holdings of other bonds very slightly.

The Railroad Dollar

The increased transportation charges made necessary by the higher scale of operating costs since the war period are still a heavy burden upon the primary and bulky products

which must be conveyed long distances, and prompts in some quarters agitation for further rate reductions. It is said that agriculture cannot stand the present rates, and certainly the situation is one that deserves the closest kind of scrutiny to determine what may be possibly done to afford relief. Railroad transportation cannot be furnished for less than cost, including compensation to the capital employed.

Farmers have suffered heavy losses in recent months through inadequate transportation facilities. The shopmen's strike resulted in much equipment getting out of repair, seriously hampering the movement of trains. All over the West the marketing of the crops has been delayed and competent observers have calculated that farmers have suffered a loss of as much as 10 cents per bushel on grain, by reason of the fact that local markets have been depressed to that extent below their natural relation to seaboard and foreign markets. In many localities the producers are without adequate storage facilities, and grain has suffered deterioration by exposure to the weather.

This situation illustrates the importance to the farmer of adequate transportation facilities, and shows that it would be short-sighted policy to follow any course likely to impair these facilities still further.

The book-keeping of the railroad companies is closely supervised by the Interstate Commerce Commission, which prescribes a uniform system of accounting for its own information. Railroad wages, which constitute the largest single item of expenses are under the supervision of the Railroad Labor Board. Directly or indirectly, nearly all railroad expenditures are for labor. Thus the cost of coal and of materials and supplies in the final analysis is mostly for labor. The payments for taxes, if traced to their ultimate destination, will be found to go either for the pay of public employes or for expenditures that mainly represent labor. Even the sums that are distributed for interest and dividends represent for the most part reimbursement for sums formerly disbursed to labor for the construction of road and equipment. The wage scale throughout industry therefore is the leading factor in the cost of transportation.

For the last six years the percentage of the annual income of the railroad companies directly disbursed to their own employes has been as follows:

In 1916	$1,365,776,046	or 38 per cent
In 1917	1,617,718,932	or 40.3 per cent
In 1918	2,430,846,416	or 49.8 per cent
In 1919	2,644,109,442	or 51.4 per cent
In 1920	3,424,075,109	or 55.4 per cent
In 1921	2,585,329,497	or 46.9 per cent

For the year 1921 the average dollar of railroad incomes for all the railroads of the country was disbursed as follows:

	Cents
For labor (salaries and wages)	46.9
For materials, supplies and miscellaneous	20.6
For fuel	9.5
For taxes	5.0
For loss and damage, injuries to persons and insurance	2.9
For depreciation and retirements	2.8
For hire of equipment and joint facility rents	1.4
Total expenses	89.1
Net operating income (available for interest on bonds or notes or dividends on stock)	10.9
	100.0

The only way railroad charges for service can be reduced is by reducing some of these items which make up the table of disbursements. The net operating income shown above, of 10.9 cents from each dollar of gross income amounted to about 3½ per cent on the value of the railroad property used in transportation.

The most vigorous protest against present transportation costs is made on behalf of the farmers. The Secretary of Agriculture says that the charges are too high in proportion to the value of the products, but he does not say they are too high in relation to the cost of the service. The subject must be dealt with squarely.

The railroad problem cannot be solved by exercising the public authority to reduce the revenues on one hand and maintain railway wages on the other, leaving the companies unable to make ends meet. Such a policy will destroy the efficiency of the roads and entail heavy losses to the public. The public, having to a very great extent tied the hands of the owners, must make the railroad problem its own.

Another Calculation

The Illinois Central Railroad Company has given out an analysis of its receipts and expenditures for the year 1921, showing the share of each dollar of revenue contributed by each source of income, and how each dollar of revenue was expended. The table is as follows:

Where the 1921 Dollar Came From

	Cents
Transportation of freight (44,637,466 tons; average distance per ton 270.46 miles; average revenue per ton per mile, 1.015 cents)	71.71
Transportation of passengers (37,027,889 passengers; average distance per passenger 25.25 miles; average revenue per passenger per mile 3.104 cents)	16.98
Transportation of mail	1.69
Transportation of express	1.53
Sources related to freight service, such as demurrage and storage, and special service	0.49
Switching service	0.85
Sources related to passenger service, such as operation of parlor cars, excess baggage, etc.	0.56
Hotel, restaurant, dining room and buffet service	0.58

	Cents
Station and train privileges, and miscellaneous	0.32
Rents of equipment, road, buildings and other property, joint facilities, and miscellaneous income	2.79
Income from corporate investments	2.50
	100.00

Where the 1921 Dollar Went

	Wages Cents	Material Cents	Total Cents
Maintenance of tracks, roadbed, buildings, bridges and other structures (wages, 54.7%; material, 45.3%)	8.56	7.09	15.65
Maintenance of locomotives, freight and passenger cars and other equipment (wages, 62.7%; material, 37.33%)	11.87	7.07	18.94
Train, station and switching operations, and other transportation service (wages, 92.96%; material, 7.04%)	24.81	1.88	26.69
Traffic agencies, compilation and issuance of tariffs, miscellaneous traffic expenses (wages, 73.44%; material, 26.56%)	0.94	0.34	1.28
Hotel, restaurant, dining and buffet service (wages, 48.39%; material, 51.61%)	0.30	0.32	0.62
Fuel	......	......	7.50
Salaries of clerks and other general office employes	......	......	1.48
Legal expenses	......	......	0.18
Pension department expenses	......	......	.016
Salaries of general officers	......	......	0.19
Valuation expenses	......	......	0.15
Miscellaneous general expenses	......	......	0.37
Depreciation and retirement of equipment	......	......	3.90
Loss, damage and casualties	......	......	1.97
Rent of equipment, leased lines joint facilities and miscellaneous rents	......	......	2.45
Interest on bonds and other interest charges	......	......	6.85
Dividends on capital stock	......	......	4.48
Taxes	......	......	5.54
Balance available for enlarging and improving the property	......	......	1.60
			100.00

The Government Issue

The Treasury has announced allotments aggregating $511,385,000 upon the new government 4¼ per cent loan. The distribution by Federal Reserve districts is as follows:

Federal Reserve District	Subscriptions Received	Subscriptions Allotted
Boston	$113,390,400	$62,700,300
New York	667,994,100	197,382,100
Philadelphia	103,788,500	46,484,200
Cleveland	100,355,300	40,200,000
Richmond	37,070,800	20,345,800
Atlanta	29,608,100	14,158,100
Chicago	134,942,800	52,992,000
St. Louis	55,300,100	31,244,200
Minneapolis	33,369,300	9,551,700
Kansas City	40,564,900	12,000,000
Dallas	16,076,800	5,439,200
San Francisco	67,390,800	18,887,400
Total	$1,399,851,900	$511,385,000

Allotments were made on a graduated scale, all subscriptions for amounts not exceeding $10,000 for any one subscriber being allotted in full. Subscriptions for amounts over $10,000 but not exceeding $50,000 were allotted 40 per cent; subscriptions over $50,000 but not exceeding $100,000 only 30 per cent; subscriptions over $100,000 but not exceeding $500,000 only 20 per cent; subscriptions over $500,000 but not exceeding $1,000,000 only 15 per cent, and subscriptions over $1,000,000 only 10 per cent.

In addition to the $1,399,851,900 of subscriptions received on the cash offering, subscriptions aggregating about $252,000,000 have been received on account of the exchange offering, making a total for this offering of Treasury bonds aggregating over $1,651,000,000. Subscriptions on the exchange offering, for which 4¾ per cent Victory Notes or December 15th Treasury certificates were tendered in payment, have all been allotted in full, so that the total allotments on the offering will aggregate slightly over $763,000,000.

Secretary Mellon's refunding operations are now well advanced. On April 30, 1921, when the program was announced, the amount of interest bearing debt maturing within two years was about $7,500,000,000. On September 30, 1922, about $4,000,000,000 of this had been retired or refunded, chiefly into short-term Treasury notes spread over the next four years.

The bonds of the new issue just closed bear 4¼ per cent interest, will fall due on October 15, 1952, and be redeemable on and after October 15, 1947. Interest payable semi-annually, April 15 and October 15. About $1,800,000,000 of Victory Notes, bearing interest at 4¾ per cent, are outstanding, part of which have been called for redemption on December 15, and the remainder of which will mature on May 20, 1923. An issue of Treasury certificates also is due on December 15, and the Treasury is now offering immediate redemption of these and the called Victory notes, at par and interest to date of redemption.

There remains above $2,500,000,000 of the short-term debt to be handled between now and next May, but it is deemed desirable to keep at least $1,000,000,000 in the form of certificates receivable for taxes, with maturities corresponding to the dates of tax-payments.

When over-subscription of this loan was first announced the opinion was expressed in some quarters that the rate might have been made 4 per cent instead of 4¼. The subsequent action of the market, however, has indicated that the rate was low enough, particularly in view of the fact that more offerings are to follow.

American Bankers' Convention

The annual convention of the American Bankers Association was held at New York this year, in the first week of October, and New York was very much gratified by the fact that the attendance was far above that of any previous meeting in the long history of the association, and that the visitors seemed to enjoy their stay.

Conventions are by no means unusual in New York, and it is not often that one makes much of a stir in a city that has so many visitors every day, but the "A. B. A." attracted much attention. The City was interested in its guests and endeavored to make itself known to them and send them home with pleasant impressions of their chief port and great money market.

The sessions of the convention were notable for good addresses, the leading feature being one by Sir Reginald McKenna, Chairman of the London, Joint City & Midland Bank, of London, the largest bank in the British Isles, who crossed the Atlantic for the purpose. His action in doing so and the address itself were highly appreciated.

The chief subject of debate at the sessions was branch banks, and the sentiment expressed was decidedly adverse to them. In fact, however, there is no issue over the general policy of branch banking in this country, support for it being confined to the advocacy of equal privileges for national banks with banks organized under state laws, in the states where branches are permitted. The movement of important banks out of the national system and into the state systems is the best justification for this plea.

Labor Banks

A recent bulletin of the National Industrial Conference Board tells of the interesting development of labor banks in the last two years. It says that since the Brotherhood of Locomotive Engineers opened its Cooperative National Bank at Cleveland in 1920, eight other banks sponsored by labor organizations have gone into operation in different parts of the country, and fourteen or fifteen more are known to be in process of organization.

The Cleveland bank has been very successful, having started with $1,000,000 capital and $100,000 paid-in surplus, and acquired assets of approximately $14,000,000. The officers are experienced bankers, and its business is carried on upon the usual lines, except that it divides the profits above 10 per cent between stockholders and depositors, and it declines to enter the clearing-house or join with the other banks in the observance of the usual clearing-house rules and regulations.

Matters of this kind are not fundamental to the banking business, and there is no reason to suppose that these labor banks will introduce any significant innovations into banking practice. The idea of cooperation, in the sense of a division of profits with customers, is not new in any line.

One of the most distinct services these banks will render will be in demonstrating how little there is in the idea entertained in some quarters that banking is a business of privilege and that banks do nothing that is beneficial to the common man. The labor banks have all the privileges that any other banks ever have had, and if they can demonstrate their ability and willingness to render better service than other banks do they will walk away with the business. If they encourage the practice of thrift, teach the value of private wealth to the community, and help to inculcate respect for property rights, as may be expected, bankers generally will rejoice in the progress of the movement.

Dairy Exports

In the first eight months of 1922, 8,411,144 pounds of butter were exported, compared to 6,260,466 pounds in the same period of 1921. The August exports were 1,169,181 pounds, against 435,489 pounds for August, 1921. The United Kingdom took about half of the August export, or 619,397 pounds. The other foreign buyers received smaller lots, mostly under 50,000 pounds. Oleomargarine exports in August were only 57,817 pounds. In August, 1921, they were 153,875 pounds. The year's exports to September 1 were 1,121,778 pounds and in 1921, 2,501,661 pounds. The August cheese exports were 377,800 pounds and in 1921 428,166 pounds. For the first eight months in 1922 the foreign markets absorbed 3,724.533 pounds compared to 9,912,962 pounds in 1921. Egg exports in August were almost identical this year and last, being 2,217,511 dozen in 1922 and 2,472,834 dozen in 1921. The January-September, 1922, movement was 19,403,901 dozen and in 1921, 18,773,278 dozen.

A MONTHLY BULLETIN *for the* INVESTOR

THE National City Company issues every month a list of high-grade securities which it recommends for investment. This circular is a National City guide post for those seeking to invest their funds in bonds of governments and municipalities of high credit standing and in corporation bonds that have a background of strong security and established earning power. Indicative of the character of issues listed in the November circular are the following securities which The National City Company recommends for current investment:

Name	Due	Approx. Yield
Buffalo, N. Y., 4¼s	1928–42	3.90%
Philadelphia, Pa., 4s	1952	3.935%
Illinois Central R.R. Co. 4½s	1928–32	4.94%
Province of Ontario 5s	1952	5.10%
Province of Alberta 5s	1942	5.20%
Greater Winnipeg 5s	1952	5.25%
Gulf Oil Corp. Deb. 5s (WI)	1937	5.30%
Consumers Power Co. 5s (WI)	1952	5.50%
Canadian Northern Ry. Co. 5s	1925	5.52%
Detroit City Gas Co. 6s	1947	5.85%
Kingdom of Norway, Ext. 6s	1952	6.00%
New York Steam Corp. 6s	1947	6.10%
Sinclair Crude Oil Pur. Co. 5½s	1925	6.18%
Republic of Haiti 6s	1952	6.25%
Missouri Pacific R.R. 4s	1975	6.40%
Crown Cork & Seal Co. 6s	1942	6.45%
Argentine Govt. Ext. 7s	1923	6.85%

Readers of the Monthly Bulletin of The National City Bank of New York are invited to send to any National City Company office for our current list of "Investment Securities."

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